

**PUBLIC DISCLOSURE**

MARCH 19, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ST. MARY'S CREDIT UNION

133 WEST MAIN STREET  
MARLBOROUGH, MA 01752

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **ST. MARY'S CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **MARCH 19, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated " Satisfactory "**

St. Mary's Credit Union's performance under the Community Reinvestment Act was evaluated under the CRA Large Institution Examination Procedures. As large credit union, St. Mary's Credit Union was considered under two performance tests, the Lending Test and the Service Tests. This review resulted in a rating of satisfactory. The following summarizes the factors considered in the determination of this rating:

Under the Lending Test, the credit union was assigned an overall rating of Satisfactory based on the credit union's performance in providing mortgage loans to low and moderate-income individuals; loans in low and moderate-income areas; and the credit union's extension of credit inside the assessment area. Approximately, 64 percent of the credit union's mortgage loans were made in the assessment area. The geographic distribution of HMDA-reportable loans by census tracts reflects a good penetration throughout its assessment area, especially moderate-income areas. The credit union's distribution of home mortgage loans among borrowers of different income levels was adequate given the assessment area's demographics and in comparison to all other HMDA-reporting lenders within the assessment area.

Under the Service Test, the credit union was also rated Satisfactory. The credit union's delivery systems are accessible to all portions of the assessment area. The credit union's services are designed to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Credit union personnel have met with local community organizations to discuss the credit needs of the community and have donated their time and expertise through their volunteer efforts.

While not required by regulation to be evaluated, St. Mary's Credit Union's qualified investments, primarily its charitable contributions were considered. The charitable

contributions which assist low and moderate-income individuals and non-profit organizations in the assessment area were found to support the overall rating of Satisfactory.

**LENDING AND SERVICE TEST TABLE**

<b>PERFORMANCE TESTS</b> <b>St. Mary's Credit Union</b>		
<b>Performance Levels</b>	<b>Lending Test*</b>	<b>Service Test</b>
Outstanding		
High Satisfactory		
Satisfactory	<b>X</b>	<b>X</b>
Needs to Improve		
Substantial Non-Compliance		

\*Note: The Lending Test is weighed more heavily than the Service Test when arriving at an overall rating.

## **PERFORMANCE CONTEXT**

### **DESCRIPTION OF INSTITUTION**

St. Mary's Credit Union (St. Mary's) is a large community credit union chartered by the Commonwealth of Massachusetts in 1913. Membership is currently open to people and organizations who meet the following criteria: persons who reside or work in Marlborough and the contiguous towns of Berlin, Hudson, Sudbury, Framingham, Southborough, or Northborough; employees of companies located within a thirty mile radius of the credit union's main office who have recurring proceeds directly deposited into their St. Mary's accounts; specific relatives of members, as defined in the by-laws of the credit union are also eligible. On December 20, 2002, membership was amended to include the above and to also include all of Middlesex County and Worcester County.

As of December 31, 2002, St. Mary's had \$393,295,306 in total assets. Of these assets, approximately \$249,769,990 or 63.5 percent were in the form of loans.

Refer to the following table for the distribution of the credit union's loan portfolio.

#### **Loan Portfolio Composition**

<b>Loan Type</b>	<b>Amount (\$000s)</b>	<b>Percent</b>
Residential First Mortgages	177,893	71.2
New and Used Vehicle Loans	40,325	16.1
Other Real Estate	23,117	9.3
Unsecured Loans	4,425	1.8
Lines of Credit	4,009	1.6
<b>Total Gross Loans</b>	<b>249,769</b>	<b>100.0</b>

Source: December 31, 2002 Statement of Financial Condition.

St. Mary's Credit Union is headquartered at 133 West Main Street in Marlborough, Massachusetts and is located in a middle-income census tract. The credit union also operates two offices located at 133 South Bolton Street in Marlborough and at 1 Northboro Road in Marlborough.

St. Mary's Credit Union has competition from several financial institutions within its assessment area. These financial institutions include but are not limited to the following: Community National Bank (Hudson); Marlborough Co-Operative Bank; Marlborough Savings Bank; Digital Credit Union, as well as representatives of regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the credit union's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2001 aggregate performance data (the most recent data available), indicates that among the 383 lenders in the assessment area, St. Mary's Credit Union was ranked seventh with 2.4 percent of the market share in total loans originated or purchased. Washington Mutual Bank (7.6%), Fleet National Bank (5.8%), and Countrywide Home Loans (5.4%) held the first, second and third market share positions respectively in overall originations and purchases.

The Massachusetts Division of Banks conducted a CRA Examination on April 30, 2000, which resulted in a rating of Satisfactory. The credit union's ability to meet community credit needs remains strong based on the financial condition and size of the institution.

As a state chartered credit union, St. Mary's Credit Union is limited in its lending activities by restrictions imposed on it by Massachusetts General Laws, the National Credit Union Administration (NCUA), and by the institution's own by-laws. For example, the credit union is limited to offering retail financial services only to its members (those who must reside, work, or have a place of business or whose corporate office is in Middlesex or Worcester County); the credit union is not authorized to make commercial loans and is limited in its involvement in community development projects. However, in March 2001, the credit union received parity powers enabling it to participate in community development loan pools and investments.

### **Description of Assessment Area**

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSA's) for statistical reporting purposes by federal agencies. The credit union's assessment area consists of the cities of Framingham and Marlborough, and the towns of Berlin, Hudson, Northborough, Southborough, and Sudbury. The seven cities and towns are located in the Boston and Worcester MSAs.

The assessment area contains 29 census tracts: 1 or (3.4%) is NA, 2 or (6.9%) are moderate-income, 12 or (41.4%) are middle-income, and 14 or (48.3%) are upper-income. The moderate-income tracts are located in Framingham and Marlborough. The census tract designated as N/A is located in Marlborough and consists of a cemetery and a golf course. It should be noted that the census tract with no income designation was not used in the analysis of the credit union's lending activity.

According to 1990 US Census Data, these seven communities have a combined population of 149,137 and a total of 58,354 housing units with the City of Marlborough accounting for a quarter of the population and a quarter of the housing units. Housing stock

within the assessment area is primarily one-to-four family residential dwellings (73.8%), of which a majority (60.2%) is owner-occupied. There are 55,541 households in the assessment area. A household is defined as all persons occupying a housing unit.

<b>Selected Housing Characteristics by Income Category of the Geography</b>						
<b>Geographic Income Category</b>	<b>Percentage</b>					
	<b>Census Tracts</b>	<b>Households</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>
Moderate	6.9	10.0	10.1	4.9	18.7	13.8
Middle	41.4	42.2	42.5	35.4	53.9	47.8
Upper	48.3	47.8	47.4	59.7	27.4	38.4
N/A	3.4	-	-	-	-	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: 1990 U.S. Census

The median home value of the assessment area is \$198,434 based on 1990 US Census Data. A more recent figure was obtained using figures from the March 24, 2003 Bankers & Tradesman publication based on 24 month sales statistics as of September 2002. According to this publication, the median selling price for a home in the assessment area was \$351,285. Prices in the assessment area ranged from a low of \$267,500 in the town of Berlin to a high of \$550,000 in the town of Sudbury. Overall, the median prices of homes have increased 4.9 percent in the assessment area over the same period last year. The town of Northborough saw a 17.9 percent increase in the price of housing, while communities like Hudson and Marlborough saw increases of 13.5 percent and 8.9 percent, respectively. Berlin was the only community that saw a decrease in the prices of homes from 2001 to 2002.

The median family incomes for the Boston MSA for 2000, 2001, and 2002 are \$65,500, \$70,000, and \$74,200, respectively. The median family incomes for the Worcester MSA for 2000, 2001 and 2002 are \$54,400, \$57,000 and \$58,400, respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

The unemployment rate is currently 5.0 percent and 6.4 percent as of January 31, 2003, for the Boston and Worcester MSAs respectively, and is 5.4 percent in the assessment area. The rate has steadily increased since last year due to a sagging economy in the high tech and finance sectors. of which the assessment area has major companies in both. Because of its easily accessible location, the City of Marlborough is one of the most convenient locations for businesses and visitors. In addition, the city offers facilities with extensive hotel rooms, range of function abilities and proximity to the entire region's largest cities. Major employers in the area include Fidelity Investments, the Raytheon Corporation, and the Shipley Corporation.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

### **LENDING TEST**

The lending test evaluates a credit union's record of helping to meet the credit needs of its assessment area through its lending activities by considering the credit union's home mortgage and consumer lending activity. The credit union's lending performance is determined by the following factors: the volume of the credit union's loans within its assessment area, particularly to low and moderate-income borrowers and geographies; the use of innovative and flexible lending practices; fair lending policies and practices; and the efforts of the institution to assist low and moderate-income residents to remain in their neighborhoods. Based on these factors, St. Mary's lending performance receives an overall rating of Satisfactory. The following information details the data compiled and reviewed, as well as conclusions on the credit union's performance relative to each criterion.

#### **Scope of Evaluation**

Residential mortgage and a sample of consumer loans originated during 2000, 2001 and 2002 were included in the evaluation of the credit union's performance.

#### **I. Lending Activity**

St. Mary's Credit Union's assets totaled \$393,295,306 as of December 31, 2002, of which gross loans represented 63.5 percent. As of December 31, 2001, the gross loan to asset ratio was 67.2 percent. The 3.7 percent decrease in the gross loan to asset ratio was due to a 12.8 percent increase in assets over the past year, with gross loans increasing by only 6.5 percent. In addition, as of December 31, 2002, the credit union's net loan to shares and deposit ratio was 72.9 percent.

Given the market share within its assessment area and the overall volume of HMDA-reportable loans and consumer loans, the credit union is considered to be responsive to the assessment area's credit needs.

St. Mary's Credit Union's Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the credit union's assessment area. During this period, the credit union originated 1,063 HMDA-reportable loans totaling approximately \$174,600,000. Of this amount, 685 loans, or 64.4 percent of the number, totaling

\$109,381,000, or 62.6 percent of the dollar amount were originated in the credit union's assessment area.

By number, Marlborough accounted for the largest number of originations with 38.5 percent, followed by Hudson with 9.2 percent. Marlborough also accounted for the largest dollar volume of originations with 35.7 percent, followed by Hudson with 8.2 percent.

Refer to the following tables for additional information regarding the credit union's HMDA-reportable lending, by number and dollar amount.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	91	57.2	11,840	53.9	68	42.8	10,132	46.1
2001	316	66.2	53,539	65.1	161	33.8	28,650	34.9
2002	278	65.1	44,002	62.5	149	34.9	26,437	37.5
<b>Total</b>	<b>685</b>	<b>64.4</b>	<b>109,381</b>	<b>62.6</b>	<b>378</b>	<b>35.6</b>	<b>65,219</b>	<b>37.4</b>

Source: HMDA/LAR, CRA Wiz

As indicated in the tables above, the majority of loans originated in 2000, 2001 and 2002 were inside the credit union's assessment area. In fact, over the period examined an increasingly smaller percentage of loans have been originated outside of the assessment area.

The credit union experienced significant loan volume between 2000 and 2001. This growth can be attributed to the fact that the credit union's parity powers were expanded enabling it to make loans of larger dollar amounts which were necessary for it to compete in the MetroWest market. In addition, 2001 was a significant refinance period that also helped fuel the credit union's increased loan volume.

A sample of 89 consumer loans or 10 percent of all consumer loans was also reviewed to determine the amount of credit extended within the credit union's assessment area. As shown in the table below, a majority of the credit union's consumer loans were originated inside the credit union's assessment area. Refer to the following table for additional information regarding the credit union's consumer loans.

Distribution of Consumer Lending Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	17	56.7	260	55.3	13	43.3	210	44.7

<b>2001</b>	18	62.1	366	63.3	11	37.9	212	36.7
<b>2002</b>	19	63.3	249	61.3	11	36.7	157	38.7
<b>Total</b>	<b>54</b>	<b>60.7</b>	<b>875</b>	<b>60.2</b>	<b>35</b>	<b>39.3</b>	<b>579</b>	<b>39.8</b>

Source: Consumer loan file sample.

In summary, both residential and consumer lending within the assessment area represent a majority of loans granted. The credit union's geographic distribution of residential and consumer loans are considered satisfactory.

## II. Borrower Characteristics

### *HMDA Lending*

The credit union's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston and Worcester Metropolitan Statistical Areas (MSA). The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of households in the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income											
Median Family Income Level	% Total Households	2001 Aggregate		2000		2001		2002		Total	
		#	%	#	%	#	%	#	%	#	%
Low	17.8	400	3.1	5	5.5	9	2.8	8	2.9	22	3.2
Moderate	14.6	1,560	12.0	22	24.2	41	13.0	40	14.4	103	15.0
Middle	18.9	2,628	20.2	25	27.5	92	29.1	90	32.4	207	30.2
Upper	48.7	6,130	47.2	39	42.8	174	55.1	139	50.0	352	51.4
NA	-	2,277	17.5	-	-	-	-	1	0.3	1	0.2
<b>Total</b>	<b>100.0</b>	<b>12,995</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>316</b>	<b>100.0</b>	<b>278</b>	<b>100.0</b>	<b>685</b>	<b>100.0</b>

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The credit union extended 22 loans to low-income borrowers representing 3.2 percent of total loans within the assessment area during the period examined. These loans represent 1.2 percent, by dollar amount of dollars loaned. This is well below the 17.8 percent of low-income households within the assessment area. However, there are mitigating factors

present that account for this disparity primarily the proportion of low-income people living below the poverty level, as well as the high cost associated with purchasing a home in the area which makes homeownership virtually impossible for many individuals in this income category. This is also supported by the fact that the aggregate data is also well below the percent of low-income households within the assessment area and demonstrates further that all lenders are having difficulty making loans to individuals in the low-income category.

The credit union extended 103 loans to moderate-income borrowers, representing 15.0 percent of the number of loans. These loans represent 9.9 percent by dollar amount of the credit union's total originations within its assessment area. The percentage of loans by number is slightly above the 14.6 percent of moderate-income households within the assessment area.

The majority of the credit union's loans were made to middle and upper income borrowers, with 30.2 and 51.4 percent of the number of loans being made respectively in those income categories.

The distribution of the credit union's loans among various borrower income levels may also be compared to that of all other HMDA-reporting lenders in the assessment area and is also presented in the above table. The distribution of the credit union's residential loans to low-income borrowers is below that of all other HMDA-reporters within the assessment area in 2001. The credit union originated 2.8 percent by number of the total loans within the assessment area to low-income borrowers, compared to the aggregate, which originated 3.1 percent, by number. By dollar amount, the credit union was also slightly below the aggregate, originating 1.1 percent of loans by dollar amount while the aggregate originated 1.4 percent by dollar amount to low-income borrowers..

HMDA-reportable loans for 2001 to moderate-income borrowers accounted for 13.0 percent by number and 7.4 percent by dollar amount within the assessment area. Both number and dollar amount are similar to the aggregate. The distribution of HMDA-reportable loans by borrower income demonstrates the credit union's willingness to lend to borrowers of all income levels, including those of low and moderate-income.

### ***Consumer Lending***

The sample of consumer loans was also reviewed to determine the level of consumer lending among various borrower income levels. Refer to the following table below for more details.

<b>Distribution of Consumer Loans by Borrower Income</b>								
<b>Median Family Income Level</b>	<b>2000</b>		<b>2001</b>		<b>2002</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2	11.8	3	16.7	4	21.1	9	16.7
Moderate	3	17.7	0	0.0	5	26.3	8	14.8

Middle	0	0.0	4	22.2	5	26.3	9	16.7
Upper	11	64.7	10	55.6	5	26.3	26	48.1
NA	1	5.8	1	5.5	0	0.0	2	3.7
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>

Source: Consumer loan files.

As shown in the table, the credit union originated 16.7 percent and 14.8 percent of its consumer loans to low and moderate-income individuals, respectively, while 48.1 percent were to upper-income individuals.

Based on the information above, the credit union's lending to borrowers of different income levels, reflects satisfactory performance.

### III. Geographic Distribution

#### *HMDA Lending*

An analysis of HMDA-reportable loans extended to borrowers from the various census tracts within the credit union's assessment area was conducted. The assessment area is comprised of 29 census tracts. Please refer to the Performance Context of this report for a detailed description of these tracts.

The following table provides a breakdown, by number, of the credit union's HMDA-reportable loans within its assessment area according to census tract income level. The table also shows the number of loans in comparison to the number of owner-occupied housing units in each census tract income category.

Distribution of HMDA Loans by Income Category of the Census Tract											
Census Tract Income Level	% Total Owner-Occupied Housing units	2001 Aggregate Lending Data		2000		2001		2002		Total	
		#	%	#	%	#	%	#	%	#	%
Moderate	4.9%	824	6.3	10	11.0	28	8.9	32	11.5	70	10.2
Middle	35.4%	4,287	33.0	46	50.5	136	43.0	135	48.6	317	46.3
Upper	59.7%	7,883	60.7	35	38.5	152	48.1	111	39.9	298	43.5
NA	-	1	0.0	-	-	-	-	-	-	-	-
<b>Total</b>	<b>100.0%</b>	<b>12,995</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>316</b>	<b>100.0</b>	<b>278</b>	<b>100.0</b>	<b>685</b>	<b>100.0</b>

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The above table indicates that 10.2 percent of the credit union's total loans were originated within moderate-income census tracts. This distribution is above the percentage of owner-

occupied housing units in the assessment area. This distribution indicates the credit union's willingness to lend to all areas, especially moderate-income areas

The geographic distribution of the credit union's loans by census tract income category was also compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2001 and is presented in the above table.

As demonstrated above, the percentage of the credit union's lending activity in moderate-income census tracts, by number and dollar amount, is above that of the aggregate. In Year 2001 lending activity in moderate-income census tracts was 8.9 percent by number and by dollar amount. In comparison, other HMDA reporters originated 6.3 percent by number and 4.7 percent by dollar amount in moderate-income census tracts.

The table also demonstrates that the percentage of the credit union's HMDA-reportable loans in middle-income census tracts is above the aggregate but falls below the aggregate in the upper-income census tracts.

In 2001, St. Mary's Credit Union ranked sixth in market share for lending in moderate-income census tracts within its assessment area. The credit union originated 28 loans in these census tracts, representing 3.3 percent of the market. The top lender in moderate-income census tracts within the assessment area was Washington Mutual Bank with 7.8 percent.

### ***Consumer Lending***

The sample of consumer loans was also reviewed to determine the distribution of loans in the credit union's census tracts. As shown in the table below, 14.8 percent of the consumer loans were originated in moderate-income tracts. The greatest percentage of loans or 48.2 percent were made to consumers residing in upper-income census tracts.

<b>Distribution of Consumer Loans by Income Category of the Census Tract</b>								
<b>Census Tract</b>	<b>2000</b>		<b>2001</b>		<b>2002</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Moderate	5	29.4	1	5.6	2	10.5	8	14.8
Middle	4	23.5	9	50.0	7	36.8	20	37.0
Upper	8	47.1	8	44.4	10	52.7	26	48.2
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>

Source: Consumer loan files.

Based on the above information, the credit union's distribution of HMDA-reportable and consumer loans by census tract income level reflects a good dispersion of loans throughout the assessment area.

#### **IV. Community Development Lending**

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reportable as a home mortgage or small business loan.

While the St. Mary's Credit Union has applied for and received parity powers to make certain community development loans, through participation in community development loan pools and certain investments, no community development loans were granted during the period reviewed.

#### **V. Innovative or Flexible Lending Practices**

This criterion evaluates an institution's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low or moderate-income individuals or geographies. An innovative practice is one that serves low and moderate-income creditworthy borrowers in new ways or serves groups of creditworthy borrowers not previously served by the institution.

St. Mary's did not provide any flexible lending products during this evaluation period.

#### **VI. Fair Lending Policies and Practices**

St. Mary's Credit Union has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2.3-101. The institution's loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA).

The credit union has 80 full-time and 31 part-time employees, 18 of whom are considered to be minorities. Among the institution's staff, there are employees who are bilingual, and

in some instances trilingual, in Spanish, Polish, Russian, French, Portuguese, Chinese, Hindi, and Greek.

In February 2002, a credit union Consumer Loan Manager attended a CUNA Mutual Lending School during which fair lending issues were discussed. In October 2002 and in March 2003, credit union loan processors attended consumer lending related seminars in which fair lending procedures was discussed. In April 2002, a Branch Manager and a Member Service Support staff member attended a Mortgage Disclosure Workshop sponsored by Professional Bank Services. In July 2002, a credit union Senior Loan Officer attended HMDA training sponsored by New Horizons. In September 2002, a credit union Loan Processor attended a New England College of Finance seminar on Residential Loan Interviewing skills. In addition, St. Mary's Credit Union is a member of the Massachusetts Credit Union League, Inc and sends staff to attend seminars on appropriate issues.

Underwriting standards conform to secondary market guidelines with qualifying ratios of 28%/36% being used for both mortgage and consumer loan underwriting. The credit union allows flexibility in their underwriting ratios where compensating factors exist, subject to the approval of the Credit Committee and/or the Board of Directors. Loans slated for denial are reviewed by another lending officer as well as the Credit Committee.

The credit union offers equity lines of credit up to \$100,000 with no application fees, no closing costs, and no prepayment penalties. This product has a 10-year draw period with interest only payments, a 15-year principal and interest repayment term, and 80 percent loan-to-value (LTV) maximums. A second mortgage loan product is also offered with the same LTV and dollar amount maximums. The credit union's home improvement loan product offers a 15-year maximum term with a maximum loan amount of \$100,000 and 100 percent LTV.

Consumer loan product offerings include new and used auto loans and recreational vehicle loans with maximum loan amounts of \$100,000, personal unsecured loans with a maximum loan amount of \$15,000, and savings or certificate secured and stock secured time loans.

### **Minority Application Flow**

St. Mary's Credit Union's assessment area contains 149,137 individuals, 13,912 or 9.3 percent of whom are minorities. The assessment area's minority population is 0.1 percent Native American, 2.4 percent Asian, 2.2 percent Black, 4.4 percent Hispanic and 0.2 percent Other.

The credit union's minority application flow for this review period was compared with the racial make-up of the assessment area. The process is used to determine the number of applications the credit union received from minority individuals. In 2000, 2001 and 2002, St. Mary's Credit Union received 716 residential loan applications from within its assessment area. During this period, 44 applications or 6.1 percent, were received from



minority applicants. Of the 44 applications received, 41 or 93.2 percent resulted in originations. Refer to the following table for complete details relative to the application flow.

MINORITY APPLICATION FLOW										
RACE	Aggregate Data 2001		2000		2001		2002		TOTAL	
	#	%	#	%	#	%	#	%	#	%
<i>Native American</i>	48	0.3	0	0.0	0	0.0	0	0.0	0	0.0
<i>Asian</i>	480	2.8	7	7.2	5	1.5	7	2.4	19	2.7
<i>Black</i>	162	0.9	0	0.0	3	0.9	0	0.0	3	0.3
<i>Hispanic</i>	455	2.6	1	1.0	6	1.8	2	0.7	9	1.3
<i>Joint Race</i>	214	1.2	2	2.0	4	1.2	6	2.1	12	1.7
<i>Other</i>	287	1.7	0	0.0	1	0.4	0	0.0	1	0.1
<b>Total Minority</b>	<b>1,646</b>	<b>9.5</b>	<b>10</b>	<b>10.2</b>	<b>19</b>	<b>5.8</b>	<b>15</b>	<b>5.2</b>	<b>44</b>	<b>6.1</b>
<i>White</i>	9,907	57.3	88	89.8	310	94.2	273	94.5	671	93.8
<i>NA</i>	5,748	33.2	0	0.0	0	0.0	1	0.3	1	0.1
<b>Total</b>	<b>17,301</b>	<b>100.0</b>	<b>98</b>	<b>100.0</b>	<b>329</b>	<b>100.0</b>	<b>289</b>	<b>100.0</b>	<b>716</b>	<b>100.0</b>

\*Source: CRA Wiz Software.

The application flow was compared to the 2001 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's application flow.

Aggregate information, as shown in the above table, indicated that 9.5 percent of the total applications received from all other HMDA reporters were from minority applicants. By comparison, the credit union's minority application flow for 2001 of 5.8 percent is less than that of the aggregate. It is further noted that the credit union's total minority flow for 2000, 2001, and 2002 is proportionately less than the assessment area's minority population.

### Conclusion - Lending Test

St. Mary's Credit Union's lending to applicants of different income levels is adequate by number and dollar amount when compared to all other HMDA reporters. Consumer lending is also adequate. The penetration of census tracts within the credit union's assessment area is good when compared to the demographics of the assessment area and the aggregate lending levels. The credit union's fair lending activities are also considered reasonable. The credit union displays no community development loans; however lending of this type is limited through regulation and the requirements of the parity power regulation. Therefore, the credit union's lending test is considered to be Satisfactory.

## **SERVICE TEST**

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes the institution's services. St. Mary's Credit Union's service activities are rated "Satisfactory".

The credit union's low cost checking and savings accounts, as well as its automated telephone banking system service, are tailored to the convenience and needs of its assessment area.

Retail banking services and products offer consumers flexibility and convenience. Officers and employees of the credit union provide a reasonable level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

### **Retail Banking Services**

St. Mary's Credit Union currently maintains 3 full-service offices, all serving the residents and employees within the assessment area. All of the credit union's offices are located in the City of Marlborough. One is located at 133 West Main Street, one at 133 South Bolton Street, and one at 1 Northborough Road.

Branch business hours vary and are considered convenient and the services of the credit union appear sufficient to meet the needs of the assessment area. Each branch office has extended business hours on Thursday and Friday evenings. All branch offices are open on Saturday morning. All three locations also offer drive-up teller service. This delivery feature allows credit union personnel to open an additional hour or two before the branch opens. In addition, Automated Teller Machines (ATM), which are linked to the "NYCE" "Plus", "Discover", "MasterCard", "Visa" and "Cirrus" networks, are located at every office location. The credit union is a member of the SUM Alliance, therefore, ATM surcharges are not charged to anyone who uses the credit union's ATMs. The credit union also operates four stand-alone ATM's located at Ken's Food Inc., Cisco Systems, the Shipley Company, and Concord Communications.

### **Record of Closing Branches**

Since the last examination, no offices have been closed. However, a new branch opened in Marlborough at 1 Northborough Road on April 2000.

## **Alternative Delivery Systems**

The credit union's systems for delivering retail-banking services are available to geographies and individuals of all income levels throughout its assessment area. Low cost checking and savings products are offered and customers may access account information via telephone, 24 hours per day, seven days a week, in addition to access via the Internet and regular mail. Customers that bank by mail are provided pre-paid postage envelopes.

The credit union offers free checking accounts to all members with no minimum balance requirement. The account also features free checks and an unlimited number can be written at no cost to the member. The credit union also offers a basic savings account with no monthly fees and a \$10 minimum balance requirement.

The credit union offers the SMART (Saint Mary's Audio Response Teller) Line, a convenient, secure, and free bank by phone service. This automated line allows credit union members control of their finances from home, office, or out of town, twenty-four hours a day, seven days a week.

Currently, there are 17 bilingual employees to assist the non-English speaking customers and potential customers at the credit union. As a result, the credit union is able to provide better service to customers of different ethnic backgrounds.

## **Other Services**

The credit union maintains a website at [www.stmaryscu.org](http://www.stmaryscu.org). The website allows members to use the virtual branch and bill payer service to manage their finances safely and securely by transferring funds, checking account balances, pay bills, and apply for loans. All of these features are free to members of the credit union.

## **Community Development Services**

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. Through the participation of the directors, management, and employees, the credit union is involved in providing support to local community development programs and projects. Through these involvements, the credit union's staff lends their technical expertise, experience and judgment to these organizations. Detailed below are St. Mary's Credit Union's qualified community development services.

- **United Way of Tri-County:** The credit union has played a significant role in supporting this entity. This organization offers community services targeted to low and moderate-income individuals. Approximately 70 percent (estimated) of its funds are directed to low and moderate-income individuals. The credit union's President/CEO serves as a fund drive coordinator and contributes significantly to this organizations fund raising and financial planning. A Membership Officer of the credit union also served on the Executive Board of this organization.
- **Metrowest Boys & Girls Clubs.** The credit union's President/CEO serves as a financial consultant and was the past treasurer of this organization. A Director of the credit union serves as Vice-Chairman of the Board. The Boys and Girls Clubs help provide a safe and affordable location for children to attend after school activities.
- **Citizens Scholarship Committee:** This organization provides scholarships to area high school seniors, current college students, or adults looking to attend a post-secondary education. Most of the scholarships awarded are based on financial need and service to the community. The credit union's President/CEO serves on this committee.
- **Marlborough Industrial Development Finance Authority:** A Director, as a representative of the credit union, provides services to this organization.
- **Savings Makes Cents Program:** This is a school banking program designed to teach children the basics of managing money, in which elementary school children open a School Savings Account as part of a curriculum approved by the State Treasurer's Office. The credit union's accounting manager participated in this program.

Although not all activity meets the technical requirements to qualify as a community development service, a large percentage of the credit union's services includes activities that are aimed at revitalizing or stabilizing various low and moderate-income areas. Other organizations that officers and employees lend their technical expertise to include civic, charitable, religious, and fraternal organizations located throughout the assessment area.

## **Conclusion - Service Test**

In summary, St. Mary's Credit Union's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The credit union's officers and employees have provided a fair level of service activities primarily for community development purposes that are related to the provision of financial services. Therefore, the credit union's service test is considered to be satisfactory.

## **Investments**

Under 209 CMR section 46.61 “A credit union that achieves at least a ‘Satisfactory’ rating under the Lending and Service Tests may warrant consideration for an overall rating of ‘High Satisfactory’ or ‘Outstanding’. In assessing whether a credit union’s performance is ‘High Satisfactory’ or ‘Outstanding’, the Division will also consider the credit union’s performance in making qualified investments to the extent authorized by law”. St. Mary’s qualified investments, particularly its charitable contributions were reviewed. These charitable contributions were found to support the overall rating .

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on an institutions investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire institution’s portfolio of qualified investments; not just those made since the previous CRA examination.

Refer to the following:

### **Charitable Contributions**

St. Mary's Credit Union has contributed to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development.

In 2000, St. Mary's Credit Union provided \$118,425 in charitable contributions, \$67,598 or 57.1 percent of which was in support of programs that promote community development, as defined under the CRA regulation. In 2001, the credit union granted \$98,182 in charitable contributions, \$27,355 or 27.9 percent of which were considered qualified contributions, and in 2002, it granted \$90,769 in donations, \$35,160 or 38.7 percent of which were considered qualified.

The following includes (but is not limited to) some of the organizations that St. Mary's Credit Union contributed to that were considered to be qualified investments.

Organizations that provide social services, aid in emergencies, and assist families in need such as: United Way of Tri-County; Marlborough Emergency Services Foundation; the

Marlboro-Hudson Homeless Shelter; the Salvation Army; the Hudson Food Pantry; and the Massachusetts Credit Union Affordable Housing (Homeless Trust).

Organizations that provide school, youth, and educational programs such as: Marlborough Boys and Girls Club; the MetroWest Boys and Girls Club; the Hudson Community Partnership for Children; and the Marlborough High School's Business Professionals of America.

Organizations that provide for the elderly such as: Northborough Senior Center; BayPath Elder Services and its Money Management Program; Friends of Marlborough Seniors; and the Assabet Valley Regional Vocational High School's annual senior conference.

In addition, St. Mary's Credit Union made a sizeable grant to Marlborough Hospital's capital campaign in 2000. This capital campaign was used for physical expansion, and as such, additional employment opportunities. Also, although situated in a middle-income census tract, the hospital location closely abuts the only moderate-income census tract in Marlborough.

Although not considered to be qualified under the CRA regulation, St. Mary's Credit Union continues to be a strong corporate contributor to numerous organizations that support area schools, churches, libraries, the arts, as well as non-profit service organizations located within its assessment area.

## **APPENDIX A**

### **SCOPE OF EXAMINATION**

St. Mary's Credit Union has one assessment area which, was reviewed using the examination procedures for large institutions.

The CRA evaluation included HMDA-reportable loans and a sample of consumer loans. The time period used for HMDA-reportable loans was January 1, 2000 to December 31, 2002.

Qualified investments were not reviewed, per regulation.

In addition, the credit union's systems for delivering retail banking services and the provision of community development services were considered.

St. Mary's Credit Union has branch locations in the Boston Metropolitan Statistical Area (MSA).

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the credit union's Public File, which contained no negative CRA-related comments.



## **APPENDIX B**

### **METROPOLITAN STATISTICAL AREAS**

#### **I. Boston MSA**

##### **A. Credit Union Operations and Performance Context**

The Boston MSA portion of the assessment area contains the credit union's main and branch offices in Marlborough.

The Boston MSA portion of the assessment area contains 27 of the 29 census tracts in the assessment area. This portion of the assessment area has 51,440 households. Of these, 18.4% are low-income, 15.1% moderate-income, 19.3% middle-income, and 47.2% upper-income. Of the 27 census tracts, one is NA, 2 are moderate income, 12 are middle income, 12 are upper income. The two moderate-income census tracts are located in the City of Framingham and the City of Marlborough.

##### **B. Conclusions with Respect to Performance Tests**

The portion of mortgage loans originated by the credit union in the Boston MSA portion of the assessment area represents 87.2% of the number and 86.9% of the dollar volume of all loans inside its assessment area.

#### **II. Worcester MSA**

##### **A. Credit Union Operations and Performance Context**

The Worcester MSA portion of the assessment area does not contain any of the credit union's offices. This portion of the assessment area has 4,101 households. Of these, 11.1% percent are low-income, 8.7% are moderate-income, 13.1% are middle-income, and 67.1% are upper-income. The area contains a total of 2 census tracts all of which are upper-income.

##### **B. Conclusions with Respect to Performance Tests**

The portion of HMDA-reportable loans originated and purchased by the credit union in the Worcester MSA portion of the assessment area represents 12.8% of the number and 13.1% of the dollar volume of all loans inside its assessment area.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**ST. MARY'S CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MARCH 19, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.